

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Termination of Lease Agreements at Killeen Arts & Activities Center

ORIGINATING DEPARTMENT

City Manager/Community Development

BACKGROUND INFORMATION

In August and September 2016, Killeen City Council approved lease amendments with the above referenced tenants. On September 20, 2016, the city received the results of a structural assessment of Killeen City Hall. That assessment revealed major work that needed to be done in order for the building to continue to function as office space for city administration and other city offices.

DISCUSSION/CONCLUSION

After further consideration of the results of the structural assessment and the cost associated with the required repairs of city hall, the Interim City Manager is recommending that Killeen City Hall offices and potentially other city offices move to the Killeen Arts & Activities Center and those current tenants at the KAAC be notified that the city intends to terminate the lease agreements by the end of the FY 16-17 fiscal year (September 30, 2017). According to the current lease terms, notice must be given to the tenant at least nine (9) months in advance for Richard Milburn Academy and a six (6) month notice be given to the other five (5) tenants.

Two tenants will remain at the KAAC, those being Greater Killeen Free Clinic and Central Texas 4-C, Inc. (Headstart). These agencies received Community Development Block Grant funding during the KAAC redevelopment project for the renovations needed to serve their agency needs. Greater Killeen Free Clinic received \$300,000 and Headstart received \$180,000 for those renovations. Their leases are for a period of fifteen (15) years, as required by HUD for the federal investment in the project. If their leases were terminated, these two agencies would be required to pay a pro-rata portion of this funding back to the city and they do not have that financial capacity to do so. They also provide direct medical and educational services to the Killeen community. The civic spaces at the KAAC will remain to be utilized by clients who rent the spaces for weddings, receptions, reunions, meetings and other celebratory events.

FISCAL IMPACT

The loss of revenue from the tenants annually equates to approximately \$161,996.40 in rent plus additional monthly payments for utilities that are used and billed to the tenants.

RECOMMENDATION

According to the terms of the Lease Agreements, recommend that Killeen City Council terminate the lease agreements with Richard Milburn Academy, Bell County-Human Services, Central Texas Council of Governments - Housing Division, Bring Everyone in the Zone, and Killeen Civic Art Guild. Lessor (City of Killeen) shall give Lessee written notice within seven (7) days of such determination.